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Denominator: Total Patient Service Cash Collected

Net Days in Accounts Receivable (A/R)

Purpose

Trending indicator of overall A/R performance

Value

Indicates revenue cycle (RC) efficiency

Equation and Data Source

$$\frac{\text{Net A/R}}{\text{Average daily net patient service revenue}} = \frac{\text{Balance Sheet}}{\text{Income Statement}}$$

Points of Clarification

Net A/R

Net A/R is the net patient receivable on the balance sheet. It is net of credit balances, allowances for uncollectible accounts, discounts for charity care, and contractual allowances for third-party payers.

INCLUDES

- A/R receivables outsourced to third-party company but not classified as bad debt
- Medicare Disproportionate Share Hospital (DSH) payments
- Medicare IME paid on a MS-DRG account by account basis
- A/R related to patient specific third-party settlements; a "patient specific settlement" is a payment applied to an individual patient account
- CAH payments and settlements

EXCLUDES

- A/R related to non-patient specific third-party settlements; a "non-patient specific settlement" is payment that is not applied directly to a patient account; it may appear as a separate, lump sum payment unrelated to a specific account. Examples include Medicaid Disproportionate Share Hospital (DSH), CRNA, and DGME payments as well as cost report settlements
- Non-patient A/R
- 340B drug purchasing program revenue if NOT recognized as a patient receivable in the patient accounting system
- Any state or county subsidy, ambulance services, tax and match type assessments, retail pharmacy, post-acute services and physician practice/clinic unless the clinic is a Medicare recognized provider-based status clinic
- Capitation and/or premium revenue related to value or risk based payer contracts

Average Daily Net Patient Service Revenue

Most recent three-month daily average of total net patient service revenue. Net patient service revenue is defined as gross patient service revenue minus contractual allowances, minus charity care provision, then minus the provision for doubtful accounts. Note: Gross patient service revenue does not appear on the audited income statement.

Most recent three months is defined as the number of days in the three months including the last month being reported. For example, data submitted for the three months ending June 30 includes April (30 days), May (31 days) and June (30 days) for a total of 91 days used to calculate the average daily net patient service revenue.

INCLUDES

- Medicare Disproportionate Share Hospital (DSH) payments
- Medicare IME paid on a MS-DRG basis

EXCLUDES

- Medicaid Disproportionate Share Hospital (DSH)
- 340B drug purchasing program revenue if NOT recognized as a patient receivable in the patient accounting system
- Any state or county subsidy, ambulance services, tax and match type assessments, retail pharmacy, post-acute services and physician practice/clinic unless the clinic is a Medicare recognized provider-based status clinic
- Capitation and/or premium revenue related to value or risk based payer contracts

Example Income Statement

Net patient service revenue before provision for doubtful accounts[1]	$ 500,000
Less Provision for doubtful accounts	$ 10,000
Net Patient Service Revenue	$ 490,000

[1] Net patient service revenue before provision for doubtful accounts is gross patient service revenue minus contractual allowances, minus charity care provision; under current accounting guidance, gross revenue does not appear in the financial statements.

Aged A/R as a Percentage of Total Billed A/R >90 Days

Purpose

Trending indicator of receivable collectability

Value

Indicates revenue cycle effectiveness at liquidating A/R

Equation and Data Source

$$\frac{\text{Billed A/R > 90 Days}}{\text{Total billed A/R}} = \frac{\text{Aged Trial Balance}}{\text{Aged Trial Balance}}$$

Points of Clarification

Billed A/R >90 Days

Total billed A/R[1] amount for all payers aged over 90 days from discharge date.

INCLUDES

- Only active billed debit balance accounts; "active billed accounts" are only those accounts that are open
- Series accounts/recurring accounts
- Includes accounts outsourced to a third party but not classified as bad debt accounts, as, for example, early out accounts and payment plan accounts

EXCLUDES

- Active billed credit balance accounts; these should be removed from the data[2]
- Discharged Not Final Billed (DNFB) accounts; see DNFB Key for definition
- In-house accounts
- In-house interim-billed accounts

[1] Billed A/R at the account level

[2] The exclusion applies to the total account balance, not to individual payer and patient components of the balance. Only if the total account balance is a credit should it be excluded.

Billed A/R

Total billed A/R[1] amount for all payers in reporting month, aged from discharge date.

INCLUDES

- Only active billed debit balance accounts; "active billed accounts" are only those accounts that are open
- Series accounts/recurring accounts
- Includes accounts outsourced to a third party but not classified as bad debt accounts, as, for example, early out accounts and payment plan accounts

EXCLUDES

- Active billed credit balance accounts; these should be removed from the data[2]
- Discharged Not Final Billed (DNFB) accounts; see DNFB Key for definition
- In-house accounts
- In-house, interim-billed accounts

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[1] Billed A/R at the account level

[2] The exclusion applies to the total account balance, not to individual payer and patient components of the balance. Only if the total account balance is a credit should it be excluded.

Point-of-Service (POS) Cash Collections

Purpose

Trending indicator of point-of-service collection efforts

Value

Indicates potential exposure to bad debt, accelerates cash collections, and can reduce collection costs

Equation and Data Source[1]

$$\frac{\text{Patient POS payments}}{\text{Total self-pay cash collected}} = \frac{\text{Accounts Receivable}}{\text{Accounts Receivable}}$$

[1] Alternative data source is the general ledger transaction code applied to patient POS cash and the general ledger total for all patient (self-pay) cash collected during the month.

Points of Clarification

Patient Point-of-Service (POS) Payments

Point-of service payments are defined as patient cash (self-pay cash) collected prior to or at time of service and up to seven days after discharge and/or patient cash collected on prior service(s) at the time of a new service.

INCLUDES

- All posted POS payments, including undistributed payments (debit transactions only)
- Cash collected on prior encounters, including cash collected on bad debt accounts, at the current pre-service or time-of-service visit
- Pre-admit dollars captured in the month payment is posted rather than received
- Combined hospital/physician payments, if included in denominator[1]

EXCLUDES

- Refunds; cash refunded to the patient should not be considered
- Routine payment plan payments unless collected at time of service

[1] Physician payments included only for Medicare recognized hospital-based status clinics. [Does not apply to Integrated Delivery System (IDS) applications]

Self Pay Cash Collected

Total cash collected for patient responsibility for the reporting month.

INCLUDES

- All patient cash collected for the month reported from patient cash account (debit transaction only)
- All posted self-pay payments, including undistributed payments
- Bad debt recoveries

- Loan payments
- Combined hospital/physician payments, if included in the numerator[2]

[2] Physician payments included only for Medicare recognized hospital-based status clinics [Does not apply to Integrated Delivery System (IDS) applications]

Cash Collections as a Percentage of Net Patient Service Revenue

Purpose

Trending indicator of revenue cycle ability to convert net patient services revenue to cash

Value

Indicates fiscal integrity/financial health of the organization

Equation and Data Source

$$\frac{\text{Total patient service cash collected}}{\text{Average monthly net patient service revenue}} = \frac{\text{Balance Sheet}}{\text{Income Statement}}$$

Points of Clarification

Patient Service Cash Collected

Total patient service cash collected for the reporting month, net of refunds.

INCLUDES

- All Patient Service payments posted to patient accounts, including undistributed payments
- Bad debt recoveries
- Medicare Disproportionate Share Hospital (DSH) payments
- Indirect Medical Education (IME) payments

EXCLUDES

- Patient-related settlements/payments; examples: capitation, Safety Net, Medicare DGME, Medicare Passthrough, Medicaid DSH
- Non-patient Cash; examples: retail pharmacy, gift store, cafeteria
- Ambulance, post-acute care services, and physician practices/clinics unless Medicare recognized provider-based status clinics

Average Monthly Net Patient Service Revenue

Most recent three-month average[1] of total net patient service revenue. Net patient service revenue is defined as gross patient service revenue minus contractual allowances, minus charity care provision, then minus the provision for doubtful accounts. Note: Gross patient service revenue does not appear on the audited income statement.

EXCLUDES

- Medicaid Disproportionate Share Hospital (DSH)
- 340B drug purchasing program revenue if NOT recognized as a patient receivable in the patient accounting system
- Any state or county subsidy, ambulance services, tax and match type assessments, retail pharmacy, post-acute services and physician practice/clinic unless the clinic is a Medicare recognized provider-based status clinic
- Capitation and/or premium revenue related to value or risk based payer contracts

INCLUDES

- Medicare Disproportionate Share Hospital (DSH) payments
- Medicare IME paid on a MS-DRG basis

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[1] Most recent three months is defined as the number of days in the three months including the last month being reported. For example, data submitted for the three months ending June 30 includes April (30 days), May (31 days) and June (30 days) for a total of 91 days used to calculate the average daily net patient service revenue.

See MAP Key FM-1 for additional definition and footnote information.

Bad Debt

Purpose

Trending indicator of the effectiveness of self-pay collection efforts and financial counseling

Value

Indicates organization's ability to collect self-pay accounts and identify payer sources for those who cannot meet financial obligations

Equation and Data Source

$$\frac{\text{Bad debt}}{\text{Gross patient service revenue}} = \frac{\text{Income Statement}^{1}}{\text{Income Statement}}$$

[1] Alternative source is the general ledger transaction(s) as recorded in the allowance/provision for doubtful accounts G/L account(s).

Points of Clarification

Bad Debt

Total bad debt deduction as shown on the income statement for the reporting month. This is not the amount written off from A/R. Also called "Provision for Uncollectible Accounts", or "Provision for Bad Debt".

Gross Patient Service Revenue

Total gross patient service revenue for the reporting month.

Charity Care

Purpose

Trending indicator of local ability to pay

Value

Indicates services provided to patients deemed unable to pay

Equation and Data Source

$$\frac{\text{Charity care}^{1}}{\text{Gross patient service revenue}} = \frac{\text{Income Statement}}{\text{Income Statement}}$$

Points of Clarification

Charity Care

Total charity care[1] as shown on income statement for the reporting month, not the amount written off from A/R.

Gross Patient Service Revenue

Total gross patient service revenue for the reporting month.

[1] Maybe shown only as a footnote to the financial reports; does not include community benefit amounts.

Days in Total Discharged Not Final Billed (DNFB)

Purpose

Trending indicator of claims generation process

Value

Indicates RC performance and can identify performance issues impacting cash flow

Equation and Data Source

$$\frac{\text{Gross dollars in discharged not final billed (DNFB)}}{\text{Average daily gross patient service revenue}} = \frac{\text{Unbilled A/R}}{\text{Income Statement}}$$

Points of Clarification

Gross Dollars in Discharged Not Final Billed (DNFB)

Gross dollars in A/R for inpatient and outpatient accounts not final billed for the reporting month. Refers to accounts in suspense (within bill hold days) and pending final billed status in the patient accounting system. This is a snapshot at month-end.

INCLUDES

- Recurring accounts (i.e. interim bills) as long as they have been discharged but not final billed
- Accounts discharged and held during a system "suspense period"

EXCLUDES

- In-house accounts
- Accounts in FBNS (Final Billed Not Submitted to Payer)

Average Daily Gross Patient Service Revenue

Monthly gross patient services revenue divided by number of days in the reporting month. This is a single month daily average, not a three month rolling average.

Days in Final Billed Not Submitted to Payer (FBNS)

Purpose

Trending indicator of claims impacted by payer/regulatory edits within claims processing tool (claims scrubber tool)

Value

Track the impact of internal/external requirements to clean claim production which impacts positive cash flow

Equation and Data Source

$$\frac{\text{Gross dollars in FBNS}}{\text{Average daily gross patient service revenue}} = \frac{\text{Claims Processing Tool}}{\text{Income Statement}}$$

Points of Clarification

Gross Dollars in Final Bill Not Submitted to Payer (FBNS)

Gross dollars from initial 837 inpatient and outpatient claims held by edits in claims processing tool that have not been sent to payer. This is a snapshot at month-end.

INCLUDES

- Initial claims only[1]
- Professional fees, if included on the 837-i claim

EXCLUDES

- In-house accounts
- Accounts in DNFB (Discharged Not Final Billed); see DNFB Key for definition
- Rebills and late charge bills (based on bill type codes)

[1] Initial claims are defined as claims never released to the primary payer for adjudication and payment

Average Daily Gross Patient Service Revenue

Monthly gross patient services revenue divided by number of days in the reporting month. This is a single month daily average, not a three month rolling average.

Cost-to-Collect

Purpose

Trending indicator of operational performance

Value

Indicates the efficiency and productivity of revenue cycle process

Equation and Data Source

$$\frac{\text{Revenue cycle cost}}{\text{Total patient service cash collected}} = \frac{\text{Income Statement}}{\text{Balance Sheet}}$$

Points of Clarification

Revenue Cycle Cost

The following Revenue Cycle Costs should be reported with their respective functional area's costs as applicable: salaries and fringe benefits, subscription fees, outsourced arrangements, purchased services, software maintenance fees, bolt-on application costs and their associated support staff, IT operational expenses related to the revenue cycle, record storage, contingency fees, and transaction fees.

INCLUDES

- ***Patient Access Expense:*** eligibility and insurance verification, cashiers, centralized scheduling, pre-registration, admissions/registration, authorization/pre-certification, financial clearance, Medicaid eligibility, and financial counseling
- ***Patient Accounting Expense*** – billing, collections, denials, customer service, subscription fees, collection agency fees, Charge Description Master/revenue integrity, cash application, payment variances, and all related expenses associated with these functions
- ***HIM Expense*** – transcription, coding, Clinical Documentation Improvement (CDI), chart completion, imaging, and all related expenses associated with these functions regardless of reporting structure. Coding cost includes all facility coding costs and only those professional coding costs associated with provider-based clinics

EXCLUDES

- IT "Hard" costs: capitalized costs such as hardware, licensing fees, core HIS and PAS, servers, and any FTE that supports these
- Lease/Rent expenses
- Physical space costs: utilities, maintenance, depreciation
- Scheduling if performed in the service departments by service department personnel

Patient Service Cash Collected

Total patient service cash collected for the reporting month, net of refunds.

INCLUDES

- All Patient Service payments (insurance and patient pay) posted to patient accounts, including undistributed payments
- Bad debt recoveries
- Medicare Disproportionate Share Hospital (DSH) payments
- Indirect Medical Education (IME) payments

EXCLUDES

- Patient-related settlements/payments; examples: capitation, Safety Net, Medicare DGME, Medicare Passthrough, Medicaid DSH
- Non-patient cash; examples: retail pharmacy, gift store, cafeteria
- Ambulance, post-acute care services, and physician practices/clinics unless Medicare recognized provider-based status clinics